Employers Who Have 50 or More Employees Using Public Health Assistance

A Report by the Executive Office of Health and Human Services
Division of Health Care Finance and Policy
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I. INTRODUCTION

Section 304 of Chapter 149 of the Acts of 2004 requires the Executive Office of Health and Human Services to conduct an analysis and produce a list of employers who have 50 or more employees using public health assistance each year. This is the second analysis conducted by the Division of Health Care Finance and Policy (DHCFP) in collaboration with staff from the Office of Medicaid. The legislation specifies that the report include the following information for each employer meeting the criteria:

1. Name and address
2. Number of public health access program beneficiaries (people using the Uncompensated Care Pool (UCP) or MassHealth members) who are employees of the employer
3. Number of public health access program beneficiaries who are spouses or dependents of the employees identified
4. Whether the employer offers health benefits to its employees
5. Cost to Commonwealth of providing public health program benefits to employees and dependents.

The DHCFP revised its analysis for this report based on feedback received on the first report. The changes are described in detail in the methodology section of this report. Importantly, the changes had the effect of increasing the amount of total public assistance provided to employees of 50+ employers significantly from last year. Although we believe this year's analysis to be more accurate, it is important to note that comparisons should not be made between the two years due to the significant changes made to the methodology. The increase should not be interpreted as an increase in public assistance over last year.

The analysis estimates that $212.6 million of public funds was spent on health care for employees (and their dependents) employed by employers who had 50 or more employees who were receiving services from MassHealth or the UCP.

II. BACKGROUND

Most people in Massachusetts, as is true throughout the United States, receive their health insurance benefits through their employer. A 2005 employer survey conducted by the DHCFP in Massachusetts found that nearly all firms with more than 50 employees offer health insurance (97%). High offer rates (95%) were also evident among firms with 25 to 50 employees, as well as firms with 10 to 24 employees (88%).

It has been well established that employees who are offered health insurance do not always accept the insurance offered to them, even if it is well subsidized. The

rate of uninsured workers among firms with fewer than fifty employees is much higher (20.8%) than the uninsured rate among larger firms (4.6%). However, because of the greater number of people employed by large firms and the likelihood that many of these workers are part-time and earn lower wages, a good proportion of the uninsured work for firms with 50 or more employees (40.2% of the working uninsured).

Premiums for individuals and families are well subsidized by Massachusetts employers with a median subsidy of 77% in 2005. This subsidy results in a reasonable premium and good value for many working people at approximately $80/month for an individual plan and $239/month for a family plan.

However, many employees report cost as the primary factor in declining offered coverage. In addition, there are other reasons employees may not be covered by his or her employer. Some employees are not eligible for their employer's insurance due to their part-time work status, or being newly employed. Some people may not view the employer-sponsored insurance as good value, or they have insurance available to them through a spouse. Finally, some employees are eligible for care through the state's MassHealth (Medicaid) program or the UCP, which provides free or significantly subsidized healthcare.

Eligibility for employer-sponsored health insurance does not preclude eligibility for public programs. When a low-income person eligible for public health assistance through MassHealth or the UCP is offered health insurance by his or her employer, s/he often must choose between that coverage and the public program. Government programs offer free or significantly subsidized healthcare, which obviously affects an employee's decision on whether to purchase their employer-sponsored health insurance plan. MassHealth, through its premium assistance programs, strives to enroll people in their employer-sponsored plans and wraps coverage around such plans for those who are eligible. While these premium assistance programs encourage take-up of employer-sponsored health insurance and represent a partnership between private insurance and public coverage, only 31,500 people were enrolled in such a program during the time period examined. The costs for these employees are not included in the figures attached.

III. METHODS

This section describes the methods used by the DHCFP, working with staff from the Office of Medicaid, to conduct this analysis. Agency staff considered the available databases, feedback received on last year's report, and time and resource constraints. Some of the information required by statute was not available. Readers should carefully review this section to understand fully the analysis and data presented in this report.

Time Period

The information in this report is based on claims data for Massachusetts Fiscal Year 2005 (July 1, 2004 through June 30, 2005) for both Medicaid and the UCP.

Changes to Analysis

There were three significant changes made to the analysis this year. First, the costs of MassHealth members enrolled in one of the four managed care organizations (BMC HealthNet Plan, Cambridge Network Health, Fallon Community Health Plan, and Neighborhood Health Plan), were included in this year's analysis. Costs associated with the Mass Behavioral Health Partnership were also included in this year's analysis. None of the costs associated with members enrolled in these plans were included last year due to data issues and resource constraints. This change in methodology had the largest impact on the analysis and explains most of the change between the two years' reports.

Second, the DHCFP changed its methodology for identification of employers of the UCP users. Last year, only the UCP claims database was used to identify employers. For this year's analysis, if the employer field on a claim was missing or invalid, the analysis defaulted to the person's UCP application. This increased the number of UCP users reporting a valid employer from 23% to 36%. It is difficult to assess the costs associated with this change, but it likely explains most of the difference in the UCP costs between the two years' reports.

Finally, we attempted to address the issue of franchises in this year's analysis and data display. The issue of franchises is a complicated one. The databases used for this analysis do not permit identification of employees working for individually-owned establishments. Because employees tend to report the franchisor's corporate name, who is not the employee's actual employer, as their employer (as opposed to the franchise owner), our analysis groups all employees of all franchises together, making them look like one large employer. In fact, many franchise owners own only one or two stores and they likely do not have fifty or more employees using public assistance. Furthermore, health care benefit decisions and other conditions of employment for individually-owned franchises, are made by the franchise owner and not the franchisor corporation. As such, two changes were made to this year's report to reflect this reality. First, we removed eight[1] employers from the list because they have no franchisor-owned establishments. Second, employers on the list were identified with an asterisk if at least one of their stores is franchisee-owned. These franchised corporate names represent a hybrid employer—inasmuch as some of the employees work for franchisor-owned stores while others work for a franchisee-owned establishment. DHCFP staff researched franchisor/franchisee models by using information both from companies' websites and from www.franchise.org. Since the legislature

[1] The eight employers that were removed include: Best Western Hotel, Century 21, Comfort Inn, Curves, Dunkin Donuts, Ground Round, Subway and Wingate Inns.

specified that the report be conducted only for employers with 50 or more employees using public health assistance, we believe that this approach to the analysis better meets the spirit of the legislation. While this methodological change is an improvement from last year's report, it fair to assume that this report includes franchisees with less than 50 employees using public health assistance, and thereby increasing the total cost estimates.

Merging Files

Employers were grouped according to the number of employees using public health assistance during the time period examined. Employers with 50 or more employees using public health assistance were marked for inclusion in this report. One consequence of merging the files from two discrete databases is that people who had claims billed to both the UCP and MassHealth for the time period examined could have been counted twice in reaching the 50-person threshold for inclusion, although costs for such people were not counted twice. Similarly, people who were enrolled in a MassHealth managed care organization (MCO) for part of the year and the primary care clinician program (PCC) for another part of the year would also be counted twice.

Public Health Assistance Beneficiaries

Public health assistance beneficiaries' data were included in this report, if the program (either UCP or MassHealth) was the primary payer of their health services. MassHealth members enrolled in a premium assistance program were not included in this report and MassHealth members who had other insurance and whose claims were subject to third party liability payments (Medicare, etc.) were likewise not included in this report.

Although the legislation requires that information for employees and their dependents be presented separately, the UCP claims database does not allow the identification of dependents' claims to be separated from the employee.

Employer Identification

The DHCFP, through its UCP application and claims process, requests information on each user's employer. However, the name of the employer is not a required field on the UCP claim. Last year, the Division used only the UCP claims database to identify employers. For this year's analysis, if the employer field on a claim was missing or invalid, the analysis defaulted to the person's UCP application. This increased the number of UCP users reporting a valid employer from 23% to 36%. It is possible, however, that an employer identified from the application is no longer the employer of the person using the services. A person might change his or her job between the time of applying for UCP eligibility and the time of receiving care (which can be up to a year after establishing UCP eligibility). This is also a limitation in the MassHealth analysis.

There were numerous variations on the spellings of what were obviously the same employers. The DHCFP attempted to group employers that appeared to be the same employer. It is possible that some employers were grouped that should not have been, but it is not likely to have occurred often as care was used in grouping names of employers to allow for the possibility that two or more companies could have similar names.

UCP users who reported being employed with an employer listed as babysitter, homemaker, or daycare were considered invalid for purposes of this analysis.

Employer Provision of Health Insurance

The DHCFP was unable to verify whether employers on the list offered health insurance to their employees. However, the employer survey conducted in Massachusetts in 2005 revealed that most (97%) employers with 50 or more employees do offer health insurance to their employees. In addition, DHCFP staff had access to a file from the premium assistance program at MassHealth and obtained estimates of percentage (%) contributions towards health insurance for those employers with employees participating in the premium assistance program. The information on employer's contribution was not always current and was not available for every employer on the data list.

Costs of Care

Approximately 64% of UCP users did not identify a valid employer either on a claim or application, and therefore the costs associated with those users were not included in this analysis. For UCP users who reported working for more than one employer, the costs of UCP care were divided equally among the *valid* employers that were reported by the UCP user. For example, if an UCP claim noted three employers, each employer would be assigned 33% of the costs of that UCP claim. If an UCP claim indicated that a person worked for two "employers," one of which was not valid, the valid employer would be assigned all of the costs for that claim.

The costs associated with dependents of employees who were MassHealth members were identified separately in the MassHealth database and thus are reported separately per the legislation. Unfortunately, we were unable to distinguish the costs of employees from their dependents using the UCP database, thus employee and dependent costs are combined for UCP users.

Massachusetts costs for UCP users were calculated by multiplying the dollars each provider charged the UCP by the provider's cost-to-charge ratio. Readers should note that not all of these costs were reimbursed by the UCP.

IV. RESULTS

The list of employers provides information on employers who had 50 or more employees receiving public health assistance during Fiscal Year 2005 (July1, 2004 - June 30, 2005). The attached table provides the following information for each employer: employer name, number of MassHealth members and UCP users, total cost of care for MassHealth members and UCP users, UCP users, costs of care provided to UCP users, number of MassHealth members, costs of care provided to MassHealth members, number of MassHealth dependents, costs of care provided to MassHealth dependents, total MassHealth costs, total public health beneficiary count per employer, and the percent contribution to health insurance when available. The list is sorted in descending order by the number of employees the employer had who accessed services from either MassHealth or the UCP.

The total cost of care for these employees and their dependents was estimated at $212.6 million of which nearly $42 million was paid by the UCP. There are a number of problems with this analysis. Already mentioned are the data limitations, including missing data, franchisor/franchisee ownership information, inconsistent provider reporting, and the difficulties inherent in merging multiple discrete data files.

Perhaps a larger, more fundamental problem with this analysis is that these data do not take into consideration the complex decision-making involved at the employer and employee level. We do not have accurate information on whether the employees are full- or part-time, the length of time employed, and whether they are eligible for the health insurance offered by their employer. In addition, at the time the service is provided, we are not certain that the employee still works for the employer on record. These limitations, along with other issues mentioned throughout the report, make the data difficult to interpret.